

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, OCTOBER 14, 2003**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, October 14, 2003, commencing at 7:00 a.m.

A. ROLL CALL

Present: Council Members – Beckman, Hansen, Howard, Land (left at 8:08 a.m.),
and Mayor Hitchcock

Absent: Council Members – None

Also Present: City Manager Flynn, City Attorney Hays, and City Clerk Blackston

B. CITY COUNCIL CALENDAR UPDATE

City Clerk Blackston reviewed the weekly calendar (filed).

ANNOUNCEMENTS

City Manager Flynn stated that he hoped to have someone selected to fill the position of Community Center Director by the end of this year when current Director Charlene Lange resigns.

C. TOPIC(S)

C-1 "Discussion regarding wastewater revenues and rates"

With the aid of overheads (filed), Public Works Director Prima reported that the White Slough project would be done in three phases. The contract for the first phase has been awarded. Phase two, i.e. to install filters and disinfection equipment, is currently in design. Phase three is in the environmental stage and staff is assessing a number of alternatives, e.g. moving the outfall further out into the Delta. Flow monitoring work is now underway and preliminary indications show that there will not be as much dilution as was hoped for. Consequently, this may result in reconsidering the land discharge alternative. Mr. Prima stated that there will be a significant cost to upgrade power to the facility. Pacific Gas and Electric (PG&E) is currently conducting studies to determine the cost to upgrade the power lines to the plant. He noted that a new permit will be issued before Phase three is completed.

Also associated with the wastewater revenue program is the replacement program for old pipes in the City, as well as maintaining operating costs and other components of the system, such as generators, pumping equipment, etc. There are also debt coverage requirements related to financings. The 1991 Certificates of Participation (COP) have conditions, as do the recent \$5 million COP for Phase one. The additional equipment, estimated at \$24 million, will also have a cost to operate and maintain. Additional staff will be needed in both Water and Wastewater. Increased laboratory and monitoring work has been included in staff's projections. Maintaining reserves of 15% of the annual operating expenses is a current budget policy. The consultant suggests, as a minimal level, that 50% of the ten-year average of annual capital maintenance requirement expenses be kept as a reserve in the capital fund. He noted that this would not include the major White Slough projects that are being funded by debt financing. Mr. Prima stated that the consultant originally recommended having 100% annually in reserves; however, Mr. Prima believed that amount was too high.

Cost assumptions and projections were arrived at by beginning with the 2003-04 operating budget that was adopted by Council. Percentage factors were then applied to various elements of expenses. Staff also included the \$1.5 million a year replacement program for infrastructure, and operation and maintenance costs for the filters and disinfection.

Mr. Prima noted that the enterprise funds for utilities are separate from the general fund. An in-lieu transfer is made to the general fund of 12% of the operating revenue. Sub-funds within the utility include the main utility fund (17.0), the capital account for infrastructure replacement and capital projects (17.1), White Slough capital projects (17.2), and the impact mitigation fee account (17.3). Mr. Prima briefly reviewed the Fee and Service Charge Schedule (filed).

In reply to Mayor Hitchcock, Mr. Prima clarified he was recommending that the capacity fee be rolled into the impact mitigation fee, so that there would be one fee for wastewater. He explained that the capacity fee for restaurants is based on the number of seats, irregardless of the hours of operation, which causes an inequity. Mr. Prima preferred that a land use based system be used for the initial one-time fee to hook up the system and have the monthly bill tied to water usage. Staff is also considering having strength categories in the commercial sector and contracted rates to promote economic development.

Council Member Hansen voiced support for programs to attract businesses that bring jobs into Lodi. He asked Mr. Prima to bring back information to Council related to the impact of doubling the discount percentage for low-income and senior citizens, from 10% to 20%, as well as the impact of raising the income threshold to qualify for a discount.

In response to Council Member Land, Mr. Prima stated that he would determine how much capacity is associated with septic haulers and report back to Council. He believed that natural gas usage at the plant was very minor. Costs for upgrades to the drainage system for surface runoff was included in the capital program.

Council Member Land recalled that allowing septic haulers was to be a temporary program until the County developed its own wastewater treatment facility. He felt that this matter should be reconsidered and the County contacted to ascertain whether they would participate in the upgrade of the City's wastewater treatment plant.

In answer to Mayor Hitchcock, Mr. Prima explained that there is a permit system for septic haulers. Waste is not accepted from outside the county or south of Eight Mile Road. Physical connections to the plant from new development is not allowed.

Mr. Prima suggested that fee increases occur in January 2004, July 2004, and July 2005. He recommended that Council adopt all three fees at one time and institute a formal policy of adjusting the fees every two years thereafter.

Council Member Hansen noted that there is a misunderstanding among the public that the City is expanding the plant. He emphasized the importance of public education to explain that these costs are related to unfunded mandates by the State.

Council Member Beckman asked that staff bring back an additional option for a rate increase that would end at a finite date in the future when the modifications have been paid for. In addition, he recommended that a message be printed on utility bills informing customers that the cost is due to an unfunded State mandate and also list the ending date for the increased fee.

Mr. Prima pointed out that the operational costs would not end; however, he stated that the capital portion of the cost could be separated out.

Council Member Beckman also asked Mr. Prima to return to Council with the option of a change in the in-lieu transfer percentage to general fund to eliminate or offset the rate increase.

Mr. Prima explained that an entire elimination of the 12% in-lieu transfer would not forestall rate increases.

Mayor Hitchcock agreed with Mr. Beckman's suggestion and expressed her displeasure that the City's general fund relies so heavily on the utilities in-lieu transfers.

NOTE: Council Member Land left at 8:08 a.m.

Council Member Beckman asked if the elimination of the in-lieu transfer would take care of the one-time capital costs, to which Mr. Prima indicated that he would look into the matter and report back to Council.

Mr. Prima reported that the draft proposed wastewater rates for a three-bedroom home would be as follows:

- \$19.48 – January 2004;
- \$23.28 – July 2004;
- \$26.87 – July 2005.

Mr. Prima explained that the capacity fee (the one-time buy-in fee) is charged separately on the building permit. The capacity fee for a two-bedroom home is \$2,099. The impact mitigation fee charged at five units per acre as part of development is \$105 per home. Together these fees total \$2,204 on the price of a new home. Calculations done by the consultant indicate that the fee should be increased to \$3,664.

In response to Mayor Hitchcock, Mr. Prima reiterated that there are two one-time fees related to new development for sewer that get collected at different stages in the development process. Staff is recommending that these two fees be combined and collected at one time.

Mr. Prima noted that staff is also discussing a new user rate, in which for the first five or ten years they would pay a surcharge on their monthly bill.

Referencing the *Fee and Service Charge Schedule, Development Impact Mitigation Fees*, Council Member Beckman asked that staff bring the Residential Acre Equivalent for low, medium, and high density back to Council for consideration at an appropriate time.

In reference to Phase three, Mayor Hitchcock asked staff to return to Council with cost scenarios and the impact on the rate structure for the two alternatives of: 1) discharging into the Delta, and 2) purchasing additional land.

Mr. Prima reviewed various draft spreadsheets (filed).

D. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

E. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:48 a.m.

ATTEST:

Susan J. Blackston
City Clerk